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C O N F I D E N T I A L SECTION 01 OF 02 ASHGABAT 000142

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E.O. 12958: DECL: 01/28/2019  
TAGS: [PGOV](#) [ETRD](#) [EPET](#) [ECON](#) [KCRM](#) [TX](#) [AJ](#)  
SUBJECT: TURKMENISTAN: FOREIGN LOGISTICS COMPANY CHIEF  
COMMENTS ON BUSINESS AND CORRUPTION

REF: ASHGABAT 82

Classified By: Charge Richard Miles, reasons 1.4 (b) and (d).

11. (C) SUMMARY: On January 27, GAC Marine General Manager, Gregory Flint, shared his thoughts on how to succeed at doing business in Turkmenistan. He commented on the pervasiveness of corruption, as well as other challenges that regularly face foreign companies here. His views on business impediments and the ways that foreign companies circumvent them reflect the path that at least some foreign companies appear to follow. For U.S. companies that would operate in a legal and transparent manner, Flint's experience is useful input to evaluate the market potential of Turkmenistan and to formulate a successful business strategy. END SUMMARY.

#### BUREAUCRATIC ISSUES AND CNPC RUMORS

12. (C) Flint, who will be leaving Turkmenistan in May after 15 years with the Swedish marine logistics and shipping company, said that although he had worked in a variety of developing countries around the world, he had never experienced the range of challenges that he had faced in Turkmenistan. He said that just last week, the government told the company that its expatriates would have to renew their visas, but they would be limited to three-month visas instead of having one year validity as in the recent past. With GAC a longtime registered company in Turkmenistan, and carefully complying with the government's requirement that 70 percent of company staff be Turkmen citizens, Flint had no idea why the visa term had been shortened for his expatriate staff.

13. (C) Flint reported hearing rumors that recently, five China National Petroleum Corporation ("CNPC") managers working at fields in Balkan and Lebap had been caught red-handed in some sort of corruption scheme, but did not know what their fates had been. He also heard that CNPC and its subsidiaries now have some 6,000 personnel in Ashgabat

and Lebap, instead of the 1,000 that Chinese government representatives have claimed. (NOTE: Another contact in the energy business recently reported a rumor that CNPC had been caught violating the 70-30 requirement, and had had recent visa applications rejected. (reftel) END NOTE.)

#### IDENTIFYING AND DEALING WITH IMPEDIMENTS

14. (C) Flint said that the stringent letter of invitation and visa requirements, as well as the 70-30 rule, were two of the biggest obstacles to doing business effectively in Turkmenistan, and were a constant source of frustration for foreign companies. GAC's staff ratio is 90 percent local staff and only 8 percent expatriates, which Flint opined keeps operational costs down for the company -- as long as skilled locals can be found. Another significant issue was procurement. The company provides other companies and state enterprises with supply chain services, but has been able to succeed only because it imported all of its materials. The company has not been able to find reliable local suppliers.

15. (C) According to Flint, GAC is the only international marine logistics firm of its kind here, because the Caspian in general is such a tough place to do business. As an example, he cited a recent case where one of his vessels had to be brought to Azerbaijan, the only place on the Caspian where needed repairs could be done. Azerbaijani customs officials charged the company some \$18,000 to allow the vessel in. News of the firing of River and Maritime Administration Director, Baymyrat Gulov, on January 15 was

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also unfortunate news for GAC, which had established a good working relationship with officials in the Administration and at the port. Flint said that a new acting director had occupied Gulov's office by the following Monday, and his first act had been to cancel everything that Gulov had recently approved, requiring GAC as well as other companies to reinitiate some business correspondence.

#### CORRUPTION IS RIFE AND EMBEDDED IN THE SYSTEM

16. (C) When asked for his opinion about why U.S.-based businesses have significant difficulties entering the Turkmen market, Flint was frank in commenting that the restrictions of the Foreign Corrupt Practices Act prevent them from competing on a level field with other foreign companies. If they want to do business here anyway, Flint said U.S. companies have to find third party entities who can engage in corrupt practices without the expenses appearing on the U.S. companies own balance sheets. However, such a practice increases the cost of doing business, and still often is not enough to help a company to "compete" effectively. He said every country has its own business culture, and "companies have to be able operate within that culture in order to thrive."

17. (C) Flint continued that no company wants to hand over "big bags of money" in order to operate, for profit-related and other practical business reasons. Smarter companies, he said, build relationships with government officials at all levels of government, and when opportunities arise, they provide bribes that fulfill a desire or a perceived gap. As examples, he cited an all-expenses paid trip to Las Vegas for someone who dreams of travel abroad, or simply purchasing an air conditioner for the port manager sitting in a hot booth all day. Those favors can buy a company potential future support, and prove to an interlocutor the value of the relationship. He also indicated that employing locals with connections inside the government is very useful.

18. (C) COMMENT: GAC Marine appears to have done well in Turkmenistan, and over the years the company has learned to navigate the bureaucracy and the often mystifying Turkmen business culture. Flint's pragmatic description of impediments to business and the ways that foreign companies

find to circumvent them suggests his company's modus operandi in this highly corrupt business culture. For U.S. companies that would operate in a legal and transparent manner, Flint's experience is useful input to evaluate the market potential of Turkmenistan and to formulate a successful business strategy. END COMMENT.

MILES